

Procedures for Accessing an Indiana Housing Trust Fund Loan

The Indiana Housing Trust Fund (HTF) was established in 1989 to provide short-term financing options for the development of safe, decent, and affordable housing in Indiana communities. In an effort to streamline the multi-family application process, developers applying for Rental Housing Tax Credits (RHTCs) or Multifamily Private Activity Tax-Exempt Bonds (Bonds) may simultaneously request a HTF loan. If you are applying for RHTCs or Bonds for any development and want to also access a HTF loan, you must indicate the HTF request on the “Multi-Family Housing Finance Application” and submit additional documentation as instructed in the “Multi-Family Housing Finance Application – Trust Fund Supplement.” Outside of this process, applications for HTF financing for a RHTC or Bond development will only be considered in accordance with IHFA’s Housing from Shelters to Homeownership application criteria.

In the event that an application is competitive for RHTCs or Bonds but either (1) the application fails the HTF threshold review; or (2) HTF funds are not available to loan, IHFA will allow the applicant to submit additional information to identify other means of filling the development's financing gap. Upon timely receipt of requested information, these applications will continue to be allowed to compete for an allocation of RHTCs or Bonds.

If the potential development has an open HOME, CDBG, or HTF award through the Housing from Shelters to Homeownership program, the applicant may request funding through the QAP; however, applicants must request approval at least 30 days prior to the application deadline and IHFA must approve this action. Requests will be reviewed and underwritten on a case-by-case basis. If the application is re-underwritten, the applicant will be subject to an underwriting fee. Applicants may be required to deobligate, repay, or reduce the amount of their current award prior to the application deadline.

Applicants who receive a HTF loan should be aware that additional regulations and requirements accompany this program. HTF regulations may be found in the Indiana Code at I.C. 5-20-4. In particular, affordability requirements may be more stringent than under the RHTC or Bond program. Applicants should carefully review these regulations when requesting an HTF loan. IHFA strongly encourages applicants to consult with legal and accounting advisors due to the complexity of these programs.

Technical Assistance

IHFA’s Allocation Analysts are available to answer questions you have about applying for a HTF loan. The Analyst for your county can be reached by calling (317) 232-7777 or toll-free at (800) 872-0371. A regional map of IHFA’s Community Development staff is available online at: www.in.gov/ihfa/comdev/newsfaqs/regions/regions.htm.

HTF Program Eligibility

Eligibility will be determined based on:

1. Whether the development demonstrates a need for a HTF loan in order to make a greater number of rental units affordable to lower income households.
2. Whether the development meets State and Federal requirements of all programs for which it is applying.
3. If the development ranking is sufficient for it to be awarded RHTCs or Bonds pursuant to the RHTC or Bond process.



4. The availability of HTF funds.

Eligible Applicants

The HTF applicant must be a Community Housing Development Organization (CHDO), Not-for-Profit (NFP) that is a 501 (c) 3 or a 501 (c) 4, Limited Partnership (LP), or Limited Liability Company (LLC) organized under Indiana law. For CHDOs and NFPs, the HTF Loan will be made to this entity and additional loan documents must be executed between the CHDO or NFP and the LP or LLC that will own the development. For LP and LLC applicants that have not yet been formed, the applicant must be the general partner or member. If a loan is made to such an applicant, all subsequent loan documents must be executed by the LP or the LLC.

The Indiana Code establishing the HTF requires that at least fifty percent (50%) of the resources of the fund will be allocated to nonprofit corporations under Section 501 (c) of the Internal Revenue Code. As such, loans may be awarded or denied based on this requirement.

HTF Loan Limitation

The maximum HTF loan request is \$ 500,000.

HTF Loan Cap

The applicant may not have an outstanding loan balance (including the current loan request) that exceeds \$1,000,000.

Development Location

The development must be in Indiana. Additionally, HTF financing may not be used to assist properties in the 100-year floodplain.

Uses of HTF Loan

A HTF loan may be used for acquisition or construction financing (new construction hard costs or rehabilitation hard costs) of HTF-assisted units or to pay off a HOME CHDO Predevelopment loan, a HOME CHDO Seed Money loan, or a Trust Fund Seed Money loan.

The HTF may assist rental, transitional or permanent supportive housing.

Loan Term

The applicant may propose a loan term of up to two (2) years of construction financing.

Interest Rate

Applicants must propose an interest rate of three percent (3%). Lower interest rates will be reviewed and considered; however, justification as to why this rate is necessary is required.



Security or Collateral

The HTF loan must be secured. In most instances, this will be met by a mortgage on the assisted property. The HTF loan may be subordinated to other financing, but there must be sufficient collateral to fully cover the amount of the loan. For the HTF assisted development, IHFA will subordinate to the point when the HTF loan plus other financing is at an amount not to exceed 100% of the cost of construction. If financing is requested beyond this amount, IHFA may also accept liens on personal property or liens on other real estate. The security pledge should reflect the degree of risk inherent to the development and must be proportionate to the level of funding requested. The appropriateness of the security offered will be an element of the funding decision.

Threshold Criteria

1. On or before the application deadline, the applicant must provide all documentation as instructed in the “Multi-Family Housing Finance Application – Trust Fund Supplement.” If the Authority requests additional information from the applicant, all documents are due on or before the date provided by IHFA staff.
2. The applicant and development must meet all the requirements of this Schedule and the Indiana Code at I.C. 5-20-4 and provide all documentation. If the Authority requests additional information from the applicant, all documents are due on or before the date provided by IHFA staff.
3. If the applicant has previously been involved with funds under any IHFA program, the applicant and any related party must not be out of compliance and/or on any IHFA suspension list as of the application due date. In addition, the applicant or any related party will not be recommended for funding if placed on the suspension list or becomes out of compliance at any point during the review period prior to IHFA’s Board award date.
4. IHFA reserves the right to disqualify from funding any applicant that has a history of disregarding the policies, procedures, or staff directives associated with administering any IHFA program or programs of other State, Federal, or affordable housing entities, such as, but not limited to the U.S. Department of Housing and Urban Development (HUD), Indiana Department of Commerce, U.S. Department of Agriculture - Rural Development, or Federal Home Loan Bank.

Note: During funding rounds when loan recommendations fall below IHFA’s internal funding goals, IHFA may, in its sole discretion, request additional information to be submitted for applications identified as being incomplete, having technical errors in the resolution, or having technical errors in the assurances and certifications. Upon timely receipt of requested information, these applications may then be allowed to compete for a HTF loan. However, they would only be recommended for funding after all complete applications have been recommended for funding and each item has been provided as required in the HTF Supplement Application Completeness Checklist.

Determining HTF Assisted Units

The percentage of which the HTF can be attributed to the total development costs represents the percentage of units that will be considered HTF assisted.

For example, if development costs are \$2,000,000 and the applicant is requesting \$500,000 in HTF financing, then twenty-five percent (25%) of the construction financing is via the HTF. As such, 25% of the units will be assisted with the HTF and must meet the requirements of the HTF program.



Occupancy Restrictions and Rent Limits

Fifty percent (50%) of the HTF assisted units must be occupied by households whose incomes are at or below 50% of the area median income adjusted for household size, and the additional HTF units must be for incomes at or below 80% of the area median income adjusted for household size. Rental rates (including tenant-paid utilities) must not exceed the limits of the Rental Housing Tax Credit (RHTC) Program and/or the HOME Investment Partnerships (HOME) Program as appropriate. In instances when HTF units are not developed with the assistance of RHTC or HOME funding, the HOME rent and income limits will apply. To insure that you are using the appropriate rents for your development, please contact your Allocation Analyst prior to application submission.

All tenants who occupy HTF-assisted units must be income certified and recertified according to the requirements of the RHTC or HOME program as appropriate.

Minimum Period of Affordability

The HTF-assisted units must meet affordability requirements for not less than fifteen years, beginning at development completion. The affordability requirements apply without regard to the term of any loan or mortgage or the transfer of ownership. The affordability requirements must be imposed by deed restrictions or covenants running with the land. Please note that the HTF affordability period may differ from that of the RHTC, HOME, or Bond program.

IHFA may use purchase options, rights of first refusal, or other preemptive rights to purchase the housing before foreclosure or deed in lieu of foreclosure to preserve affordability.

Property Standards

- The completed development must meet the more stringent of the local rehabilitation standards or the Indiana State Building Code.
- The development must meet the accessibility requirements at 24 CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973.
- Multi-family units, as defined at 24 CFR 100.201, must meet the design and construction requirements at 24 CFR 100.205, which implements the Federal Fair Housing Act Amendments of 1988.
- Newly constructed housing must meet the edition of the Indiana Energy Conservation Code published by the International Code Council that was in place at the time of application.

HTF Match Requirements

The HTF program requires a five percent (5%) match. This match requirement may be met with donated land, buildings, material, cash, and grants or loans from sources such as CDBG, HOPWA or HOME programs. Other sources of match may also qualify. Contact your IHFA Allocation Analyst if you have questions about a specific source.

Underwriting Criteria

In reviewing requests for a HTF loan in conjunction with RHTCs or Bonds, IHFA will utilize the underwriting analysis completed in accordance with criteria as given in the current Rental Housing Tax Credit Qualified Allocation Plan for the State of Indiana. **Applicants awarded a HTF loan in**



conjunction with RHTCs or Bonds may receive an offer of assistance (i.e., loan amount, loan term, interest rate, etc.) that is different from that requested. Applicants will be notified if changes should occur.

Borrowing Resolution Requirements

Applicants of HTF funds must submit an original borrowing resolution adopted by their governing body or board of directors. (See sample resolution provided in the Multi-Family Housing Finance Application – Trust Fund Supplement.)

The applicant's Board of Directors must sign the borrowing resolution. If the resolution is approved during a Board of Directors meeting, a quorum should pass and sign the resolution and such resolution shall be incorporated into the minutes of the meeting. Minutes of the board meeting in which the borrowing resolution was passed will be checked at the award monitoring. However, IHFA will make an exception to this policy if the organization has an established protocol for dealing with resolutions and has provided a copy of the process to the Authority. A copy of the resolution in which this protocol was established must be submitted with your application.

Additionally, if approved outside of a Board of Directors meeting, all board members must sign the borrowing resolution or sign in counterpart.

The resolution must address the current HTF request. If an applicant applies during a funding round but receives no funding, a new resolution must be adopted by the applicant's governing body for any subsequent application submittals. The resolution must:

- State the application due date;
- State the maximum amount of the HTF request;
- Authorize submission of the HTF loan application to IHFA;
- State the amount of matching funds being committed to the development;
- Commit the applicant to provide the required match amount, even if match is to be provided through an outside source. The legal applicant is ultimately responsible for the match liability and must commit to the liability through this resolution; and
- State the anticipated source(s) of the match.

HTF Assurances and Certifications

Applicants are required to submit an original, fully executed HTF Assurances and Certifications form. Applicants that receive HTF funding are bound by the content of the form. Applicants should seek the guidance of their legal counsel. The Assurances and Certifications form must be signed by the applicant's chief executive officer and must be attested.

Accessibility

The Federal Fair Housing Act Amendments of 1988 establishes the following seven design standards for all newly constructed multi-family housing of four or more units ready for first occupancy on or after March 13, 1991 (See 24 CFR 100.205). The housing is not covered if the last building permit was issued prior to June 15, 1990, or if the site is determined to be impractical.

- At least one building entrance must be on an accessible route.
- All public and common areas must be readily accessible to and usable by people with disabilities.



- All doors providing passage into and within all premises must be sufficiently wide for use by persons in wheelchairs.

Additionally, all ground floor units and all units on floors served by elevators must have:

- An accessible route into and through the dwelling.
- Accessible light switches, electrical outlets, thermostats, and other environmental controls.
- Reinforcements in bathroom walls to allow later installation of grab bars around the toilet, tub, and shower, when needed.
- Kitchens and bathrooms configured so that a person using a wheelchair can maneuver about the space.

Section 504 of the Rehabilitation Act of 1973 prohibits discrimination against persons with disabilities in the operation of programs receiving Federal financial assistance. HUD regulations implementing Section 504 contain accessibility requirements for new construction and rehabilitation of housing as well as requirements for ensuring that the programs themselves are operated in a manner that is accessible to and usable by persons with disabilities. (See 24 CFR Part 8). Multifamily housing developments are defined at 24 CFR 8.3 as developments "containing five or more dwelling units."

New Construction - HUD regulations implementing Section 504 at 24 CFR 8.22(a) require that new construction of multifamily developments be designed and constructed to be readily accessible to and usable by persons with disabilities. Both the individual units and the common areas in the building must be accessible. For new construction of multifamily rental developments, a minimum of five percent (5%) of the dwelling units in the development (but not less than one unit) must be accessible to individuals with mobility impairments. An additional two percent (2%) of the dwelling units (but at a minimum, not less than one unit) must be accessible to individuals with sensory impairments (i.e. hearing or vision impairments), unless HUD prescribes a higher number pursuant to 24 CFR 8.22(c).

Rehabilitation - Substantial Alterations - Section 504 requires that if alterations are undertaken to a housing development that has 15 or more units, and the rehabilitation costs will be 75 percent or more of the replacement cost of the completed facility, then such developments are considered to have undergone "substantial alterations" (24 CFR 8.23 (a)). For substantial alterations of multifamily rental housing, the accessibility requirements contained in 24 CFR 8.22 must be followed -- a minimum of five percent (5%) of the dwelling units in the development (but not less than one unit) must be accessible to individuals with mobility impairments, and an additional two percent (2%), at a minimum (but not less than one unit), must be accessible to individuals with sensory impairments.

Rehabilitation - Other Alterations - When other alterations that do not meet the regulatory definition of substantial alterations are undertaken in multifamily rental housing developments of any size, these alterations must, to the maximum extent feasible, make the dwelling units accessible to and usable by individuals with disabilities, until a minimum of five percent (5%) of the dwelling units (but not less than one unit) are accessible to people with mobility impairments, unless HUD prescribes a higher number pursuant to 24 CFR 8.23(b)(2). If alterations of single elements or spaces of a dwelling unit, when considered together, amount to an alteration of a dwelling unit, then the entire dwelling unit shall be made accessible. For this category of rehabilitation the additional two percent (2%) of the dwelling units requirement for individuals with sensory impairments does not apply. Alterations to common spaces must, to the maximum extent feasible, make those areas accessible. A recipient is not required to make a dwelling unit, common area, facility or element accessible, if doing so would impose undue financial and administrative burdens on the operation of the multifamily housing development. (24 CFR 8.23(b)) Therefore, recipients are required to provide access in covered alterations up to the point of being infeasible or an undue financial and administrative burden.

Accessibility Standards - Dwelling units designed and constructed in accordance with the Uniform Federal Accessibility Standards (UFAS) will be deemed to comply with the Section 504 regulation. For copies of UFAS, contact the HUD Distribution Center at 1-800-767-7468; hearing or speech-impaired persons may access this number via TTY by calling the Federal Information Relay Service at 1-800-877-8339. Accessible units must be, to the maximum extent feasible, distributed throughout the development and sites, and must be available in a sufficient range of sizes and amenities so as not to limit choice.

For further guidance regarding accessibility requirements, refer to HUD CPD Notice 00-09.

Program Guidelines

The program guidelines section of the HTF Supplement must be completed when submitting an application for funding. Program guidelines will be used in the management and leasing of the newly constructed or rehabilitated housing. They must clearly outline the requirements for the development and will be used to ensure that all applicants are treated in a fair and consistent manner. A copy of the current program guidelines must be available at the management office of the development throughout the affordability period.

During the application review period, the applicant's Program Guidelines will be evaluated. If deficiencies are noted, the applicant must revise this document.

Board of Directors

As part of the HTF Supplement, applicants must provide the requested information pertaining to their Board of Directors.

Homeless Management Information System

The State of Indiana's Continuum of Care is in the process of implementing a Homeless Management Information System (HMIS). It is anticipated that the new system will more accurately reflect point-in-time counts over a greater period of time. HMIS will provide the State with much needed data about the number of persons who are homeless, the services they seek and need, and their housing patterns and needs.

For applicants that are proposing to develop either transitional housing or permanent supportive housing, you will be required to participate in HMIS as it becomes available in the State of Indiana. An original certification of this is required as part of the HTF Supplement.

Certificate of Existence

All incorporated applicants must provide evidence that they validly exist according to the laws of the State of Indiana. A copy of the Certificate of Existence that is less than 6 months old must be provided with the application. This certificate can be ordered through the Secretary of State at the following website: <http://www.in.gov/sos/business/corporations.html>.

For LP's and LLC's that are yet to be formed, evidence that they validly exist under the laws of the State of Indiana will be required prior to loan document preparation.



Lead Based Paint Requirements

Recipients of a HTF loan are subject to the HUD lead based paint requirements found in 24 CFR Part 35. The chart below summarizes the requirement based on the amount of HTF funds subsidizing each HTF-assisted unit. For additional instructions, contact your IHFA Allocation Analyst.

	<u>Rehabilitation</u>			<u>Acquisition without Rehabilitation</u>
HTF Amount Per Unit:	≤\$5,000	\$5,000-\$25,000	>\$25,000	
Approach # to Lead Hazard Evaluation & Reduction (see detail in following chart)	Approach 1 Do no harm	Approach 3 Identify & control lead hazards	Approach 4 Identify & abate lead hazards	Approach 2 Identify & stabilize deteriorated paint
Notification of Tenants	Yes	Yes	Yes	Yes
Lead Hazard Evaluation	Paint Testing of surface to be disturbed by rehabilitation	Paint Testing of surface to be disturbed by rehabilitation & Risk Assessment	Paint Testing of surface to be disturbed by rehabilitation & Risk Assessment	Visual Assessment
Lead Hazard Reduction	Repair surfaces disturbed during rehabilitation. Safe work practices & clearance of work site	Interim controls Safe work practices & clearance of unit	Abatement (Interim Controls on exterior surfaces not disturbed by rehabilitation) Safe work practices & clearance of unit	Paint Stabilization Safe work practices & clearance of unit
Ongoing Maintenance	For HOME rental only	For HOME rental only	For HOME rental only	Yes (if ongoing relationship)
EIBLL Requirements	No	No	No	No
<u>Options</u>	Presume lead-based paint & use safe work practices on all surfaces	Presume lead-based paint &/or hazards & use standard treatments	Presume lead-based paint &/or hazards & abate all applicable surfaces	Test deteriorated paint. Use safe work practices only on lead-based paint surfaces.

Four Approaches To Implementing Lead Hazard Evaluation & Reduction:

Approach 1. Do No Harm		
Lead Hazard Evaluation Paint testing performed on surfaces to be disturbed	Lead Hazard Reduction Repair surfaces disturbed during work. Safe work practices used when working on areas identified as lead-based paint. Clearance performed on work site.	Options Presume lead-based paint is present and use safe work practices on all surfaces being disturbed.
Approach 2. Identify and Stabilize Deteriorated Paint		
Lead Hazard Evaluation Visual assessment performed to identify deteriorated paint.	Lead Hazard Reduction Paint stabilization of identified deteriorated paint. Safe work practices used. Clearance performed unit-wide.	Options Perform paint testing on deteriorated paint. Safe work practice requirements only apply to lead-based paint.
Approach 3. Identify and Control Lead Hazards		
Lead Hazard Evaluation Paint testing performed on surfaces to be disturbed. Risk assessment performed on entire dwelling.	Lead Hazard Reduction Interim controls performed on identified hazards. Safe work practices used. Clearance performed unit-wide.	Options Presume lead based paint &/or lead based paint hazards are present & perform standard treatments .
Approach 4. Identify and Abate Lead Hazards		
Lead Hazard Evaluation Paint testing performed on surfaces to be disturbed. Risk assessment performed on entire dwelling.	Lead Hazard Reduction Abatement performed on identified hazards. Interim controls performed on identified hazards on the exterior that are not disturbed by rehabilitation. Safe work practices used. Clearance performed unit wide.	Options Presume lead-based paint &/or lead-based paint hazards are present & perform abatement on all applicable surfaces- deteriorated, impact, friction, chewable surfaces, and surfaces to be disturbed.